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ANNUAL REPORT 1969

FRUEHAUF

TRAILER COMPANY OF CANADA LIMITED

FRUEHAUF TRAILER COMPANY OF CANADA LIMITED

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ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of the Fruehauf Trailer Company of Canada Limited will be held on Thursday, April 23, 1970, at 2.30 p.m. (Toronto Time) at the Executive Offices, 2450 Stanfield Road, Dixie, Town of Mississauga, Ontario.

Proxies will be solicited from Shareholders when the Notice of Annual Meeting and Proxy Statement are mailed on or about April 3, 1970.

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited,
Toronto and Montreal

AUDITORS

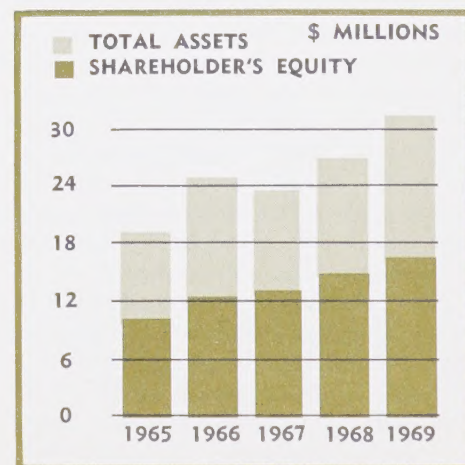
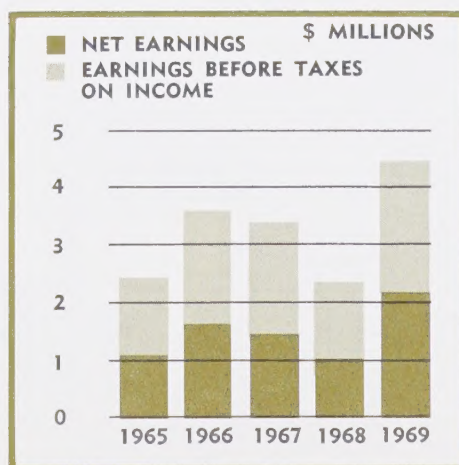
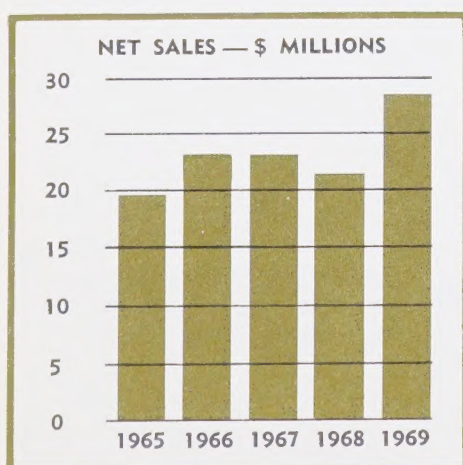
Touche Ross & Co.
Toronto, Ontario

SOLICITORS

Borden, Elliot, Kelley & Palmer
Toronto, Ontario

FINANCIAL HIGHLIGHTS

	1969	1968
Net Sales	\$28,967,895	\$21,367,992
Earnings before Taxes on Income	4,485,393	2,280,782
Per cent to Sales	15.5	10.7
Net Earnings	2,129,393	1,081,782
Per cent to Sales	7.4	5.1
Per Share	2.36	1.20
Dividends per Share75	.75
Net Assets (Book Value) per Share	18.82	16.53
Total Assets	32,168,250	26,926,953
Working Capital	13,650,970	12,279,152
Number of Shareholders	349	371
Number of Employees	826	792



DIRECTORS

W. E. Grace	President of the Company and President of Fruehauf Corporation, Detroit, Michigan
D. A. Grinstead	Vice President of the Company Toronto, Ontario
W. T. McDougall	Treasurer and Controller of the Company Toronto, Ontario
B. M. Kirsten	Executive Vice President Fruehauf Corporation, Detroit, Michigan
R. D. Rowan	Executive Vice President Fruehauf Corporation, Detroit, Michigan
E. L. Rushmer	Secretary of the Company and Vice President and Secretary, Fruehauf Corporation, Detroit, Michigan
R. J. Telford	Retired: Previous Vice President of the Company, Toronto, Ontario

OFFICERS

W. E. Grace	President
D. A. Grinstead	Vice President
W. T. McDougall	Treasurer and Controller
E. L. Rushmer	Secretary
A. Purdon	Assistant Secretary
B. A. West	Assistant Controller

*Model "F" Van trailers —
produced with prepainted
aluminum panels, these
units are available in two
widths and in varying
length and height combinations.*



REPORT ON OPERATIONS – 1969

TO OUR SHAREHOLDERS

In 1969 Fruehauf achieved record highs in both sales and earnings. We entered 1969 with a high order backlog and benefited from the new model van trailer and related manufacturing rearrangement installed during the 1968 year. Throughout 1969, customer demand for our products remained at a high level and we were able to operate our production facilities at a steady-level, thereby further improving earnings results.

SALES

Total sales of all products reached \$28,967,895, a gain of 36% over the 1968 volume of \$21,367,992. The record sales growth was attained primarily through increasing our share of the new trailer market. We also realized substantial gains in other commercial product lines.

EARNINGS

Net earnings climbed 97% over the previous year for the highest earnings record in our history. Net earnings for 1969 were \$2,129,393, or \$2.36 per share, up from the 1968 earnings of \$1,081,782 representing \$1.20 per share. Current year per share earnings of \$2.36 exceeded by 27% our previous record high of \$1.85 per share earned in the 1966 year.

Included in the current year's income is \$80,400 resulting from the disposal of excess property. The sale of this land contributed 9 cents per share to the current year earnings.

DIVIDENDS

On March 21, 1969 your Company paid a dividend of seventy-five cents per share. On February 16, 1970 the Board of Directors declared a further dividend of seventy-five cents. This dividend is payable March 20, 1970 to holders of record on February 27, 1970. This is the sixth consecutive year, since becoming a public com-

pany, in which a dividend has been declared. Once again Fruehauf Corporation (U.S.) has waived its right to the dividend. This action by the major shareholder will permit the funds otherwise payable to be used for working capital purposes. At the same time the waiving of the dividend has the effect of enhancing the equity position of all other shareholders.

REVENUE PRODUCING INVESTMENTS

With the continued customer interest in our installment finance program and our long term trailer leasing program, we have increased our investment in both of these revenue producing portfolios. Installment contracts increased \$2,134,600, an increase of 18%. The net book value of equipment leased to customers increased by \$492,799, a 20% increase. The cost of equipment placed on lease during 1969 aggregated \$1,470,227. Both of these financing methods have a continuing benefit to operations as they generate finance revenue and rental income over future periods, normally five years.

CAPITAL EXPENDITURES AND DEPRECIATION

Capital expenditures, net of disposals, amounted to \$287,297 compared with \$447,408 in 1968. Current year expenditures represent the normal capital outlay to effect the replacement of assets necessary to maintain tooling and equipment on an efficient production or service basis. Expenditures in the previous year included the extensive factory changeover associated with the new "F" model van. No major expansion programs were undertaken during 1969. Depreciation of plant and equipment and of equipment leased to customers totalled \$1,310,061 in 1969. The amount compares to \$1,103,420 in the immediately pre-

ceding year. These amounts included \$977,428 in 1969 and \$759,930 in 1968 applicable to equipment leased to customers. In depreciating plant and equipment, we follow a practice of straight line write-off from acquisition date, based on the average life expectancy of the asset category. Equipment leased to customers is depreciated over the term of the lease and upon lease termination would normally be sold at a profit through our used equipment marketing operation.

FINANCIAL POSITION

Our financial position continues to be strong. Working capital increased during the year by \$1,371,818 to \$13,650,970, although bank borrowings have increased to \$5,600,000. The increased bank loan was required by the growth in the Company's revenue producing installment contracts and leasing activities. Cash flow was \$3.82 per share in 1969 as compared to \$2.77 per share in 1968. Working capital reflects a healthy ratio of 2.2 to 1 at year end.

The increase in accounts receivable as well as the increase in inventories reflects the greater volume of business. Each of our facilities, as well as product categories, are controlled on inventory turnover goals. In this manner, as business increases, we strive to permit the realistic increase in investment necessary to maintain acceptable deliveries to customers, while at the same time ensuring efficient employment of funds. We are able to conserve cash by claiming Capital Cost Allowance for tax purposes which exceeds book depreciation. We also defer the time of payment of income tax on profit related to equipment sold under installment contracts. The present cash benefit resulting from such tax deferrals is \$1,460,000 related to equipment under installment contracts, and \$515,000 from depreciation.

PRODUCTS AND FACILITIES

Your company manufactures, sells and services a complete line of commercial trailers, containers and truck bodies. Van type trailers include dry freight, insulated, refrigerated or heated units, warehouse moving vans, livestock vans, open top and grain haul vans in varying heights, lengths and two separate widths as appropriate to meet customers' specific requirements.

We produce platform type trailers, with or without racks, in two widths and in varying lengths, and a full line of heavy equipment carryalls as well as logging type units. We manufacture a wide range of aluminum dump trailers, as well as tank trailers in steel, aluminum or stainless steel for exacting demands of liquid and dry flowable commodities.

Cargo containers and container chassis are produced to customer order to facilitate over the road container movement. A line of prefabricated truck bodies is also manufactured at the main plant in a range of heights and lengths and in two widths. Truck body kits are shipped to service branches for final installation directly on a customer's truck.

The van trailer has long been the backbone of the trailer related group and our changeover to the new "F" model during 1968 has had a dramatic impact upon profits in 1969.

Both the acceptance of the basic design by customers and the completely new manufacturing concepts have contributed greatly to the success of this year. Our planning was such that production was ready for the heavy demand of the 1969 year. While the major portion of our manufacturing is performed at our multiple product plant at Dixie, we also manufacture a variety of platform, oilfield and logging and carryall units at our Calgary location. With the facility in Calgary we have been able to build many off-standard trailers that otherwise might not have been sold by Fruehauf. With the beneficial experience gained on this special type equipment we have now commenced the manufacture of carryall and heavy equipment type trailers at our Montreal location. This will provide us with a flexibility to produce such special equipment for the eastern area of Canada.

Fruehauf-Canada is approximately 90% owned by Fruehauf Corporation (U.S.). The extensive research and development undertaken by Fruehauf Corporation accrues to Fruehauf - Canada under a royalty agreement negotiated several years ago. The "F" model van trailer design and manufacturing technique are examples of such benefit.

Your Company sells direct to the user, receiving used units in trade and consequently is in the used

trailer marketing function. This is a substantial and profitable portion of our operation. With eight service branches from Coast-to-Coast the sale of replacement parts and the service repair of all makes and models of trailers is a major aspect of our operation. Our service branches represent the most advanced trailer service repair stations in the country. Each location is a profit centre and is measured on its own results.

INDUSTRY AND OUTLOOK

The 1969 year was an outstanding year for the industry and particularly for Fruehauf. The year exceeded original expectations and we benefited by having both production and service facilities ready and available at the right time. We have commenced 1970 with a record order backlog. Based on current economic conditions we expect 1970 to be another good year for our Company. During the inflationary decade of the sixties the trailer industry has been a leader in price control.

Your Directors take this opportunity to extend their appreciation to our employees for their loyal and untiring efforts and to our distributors and dealers for their contribution to our operations. We also wish to thank our customers and shareholders for the confidence shown in our activities and products.

On behalf of the Board

W. E. Grace
President



D. A. Grinstead
Vice President



March 26, 1970

STATEMENT OF NET EARNINGS

YEARS ENDED DECEMBER 31, 1969 AND DECEMBER 31, 1968

	1969	1968
REVENUES		
Commercial sales	\$28,700,136	\$20,862,640
Government sales	267,759	505,352
NET SALES	<u>\$28,967,895</u>	<u>\$21,367,992</u>
Finance revenue	1,457,509	1,105,839
Miscellaneous	120,038	39,230
	<u>\$30,545,442</u>	<u>\$22,513,061</u>
COST AND EXPENSES		
Cost of products and service sold, other than items below	21,734,756	16,652,542
Selling and administrative expenses	2,072,844	1,764,335
Depreciation	1,310,061	1,103,420
Taxes — property, payroll and miscellaneous	372,676	325,636
Interest (including \$158,153 in 1969 and \$172,266 in 1968 on long-term debt)	569,712	386,346
	<u>\$26,060,049</u>	<u>\$20,232,279</u>
EARNINGS BEFORE TAXES ON INCOME	\$ 4,485,393	\$ 2,280,782
Taxes on income (including deferred amounts of \$478,600 in 1969 and \$387,800 in 1968)	2,356,800	1,199,000
NET EARNINGS	<u>\$ 2,129,393</u>	<u>\$ 1,081,782</u>
Net earnings per share	<u>\$2.36</u>	<u>\$1.20</u>

BALANCE SHEETS • FRUEHAUF TRAILER COMPANY OF CANADA LIM

ASSETS

CURRENT ASSETS

	December 31 1969	December 31 1968
Cash	\$ 662,782	\$ 149,058
Trade receivables		
Installment contracts (including installments of approximately \$10,141,200 maturing after one year) less unearned finance charges of \$2,405,243 at December 31, 1969	14,102,500	11,967,900
Accounts receivable	4,095,160	2,932,863
	<u>\$18,197,660</u>	<u>\$14,900,763</u>
Inventories (Note A)	6,118,325	5,105,328
Prepaid expenses	81,167	62,319
	<u>\$25,059,934</u>	<u>\$20,217,468</u>
TOTAL CURRENT ASSETS		

INVESTMENTS AND OTHER ASSETS

Equipment leased to customers — at cost less accumulated depreciation of \$2,435,739 at December 31, 1969 (Note A)	\$ 2,989,117	\$ 2,496,318
Miscellaneous accounts and investments	85,087	133,719
	<u>\$ 3,074,204</u>	<u>\$ 2,630,037</u>

PROPERTY, PLANT AND EQUIPMENT — at cost

Land	\$ 478,671	\$ 560,188
Buildings and equipment	3,061,835	3,048,902
Machinery and other equipment	3,228,633	3,034,809
	<u>\$ 6,769,139</u>	<u>\$ 6,643,899</u>
Less accumulated depreciation	2,735,027	2,564,451
	<u>\$ 4,034,112</u>	<u>\$ 4,079,448</u>
TOTAL ASSETS.....	<u>\$32,168,250</u>	<u>\$26,926,953</u>

LIABILITIES AND SHAREHOLDERS' INVESTMENT

CURRENT LIABILITIES

	December 31 1969	December 31 1968
Notes payable to bank — secured	\$ 5,600,000	\$ 3,860,000
Accounts payable and accrued expenses		
Trade accounts	1,751,928	1,732,856
Salaries, wages and employee benefits	503,164	373,143
Taxes other than taxes on income	250,014	234,239
Interest	82,019	47,020
	<u>\$ 2,587,125</u>	<u>\$ 2,387,258</u>
Taxes on income	972,923	24,000
Deferred taxes on income	1,460,000	1,039,441
Due to Fruehauf Corporation	645,916	550,617
Sinking fund payment due within one year	143,000	77,000

TOTAL CURRENT LIABILITIES

\$11,408,964 \$ 7,938,316

OTHER LIABILITIES

Deferred taxes on income	\$ 515,000	\$ 506,300
4% Note to Fruehauf Corporation	1,717,500	1,875,000
5 $\frac{1}{4}$ % Sinking Fund Debentures, Series "A" due November 1, 1976; redemption price to November 1, 1970 10 $\frac{3}{4}$ % decreasing $\frac{1}{4}$ of 1% each year thereafter (annual sinking fund requirements of \$150,000)	1,550,000	1,700,000
	<u>\$ 3,782,500</u>	<u>\$ 4,081,300</u>

SHAREHOLDERS' INVESTMENT

Capital stock, without nominal or par value		
Authorized 2,000,000 shares		
Issued and outstanding 901,925 shares	\$ 5,149,063	\$ 5,149,063
Earnings retained for use in the business	11,827,723	9,758,274
	<u>\$16,976,786</u>	<u>\$14,907,337</u>

COMMITMENTS AND CONTINGENT LIABILITIES

(Notes B and C)

On behalf of the Board

W. T. McDougall, Director

R. D. Rowan, Director

TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT

\$32,168,250 \$26,926,953

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

YEARS ENDED DECEMBER 31, 1969 AND DECEMBER 31, 1968

	1969	1968
Balance at beginning of year	\$ 9,758,274	\$ 8,736,436
Net earnings for the year	2,129,393	1,081,782
	<u>\$11,887,667</u>	<u>\$ 9,818,218</u>
Less		
Cash dividends paid (Note D)	59,944	59,944
Balance at end of year	<u>\$11,827,723</u>	<u>\$ 9,758,274</u>

STATEMENT OF WORKING CAPITAL

YEARS ENDED DECEMBER 31, 1969 AND DECEMBER 31, 1968

SOURCES OF WORKING CAPITAL

OPERATIONS

Net earnings for the year	\$ 2,129,393	\$ 1,081,782
Depreciation of equipment leased to customers	977,428	759,930
Depreciation of plant and equipment	332,633	343,490
Increase in deferred taxes on income included in other liabilities.....	8,700	314,100

TOTAL FROM OPERATIONS	\$ 3,448,154	\$ 2,499,302
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OTHER

Decrease in miscellaneous accounts and investments	48,632	\$ 24,610
Decrease in special refundable tax	—	85,806

	<u>\$ 3,496,786</u>	<u>\$ 2,609,718</u>
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APPLICATION OF WORKING CAPITAL

Cash dividend	\$ 59,944	\$ 59,944
Additions to property, plant and equipment, less disposals	287,297	447,408
Additions to equipment leased to customers, less disposals	1,470,227	1,408,105
Decrease in long-term debt	307,500	774,000

	<u>\$ 2,124,968</u>	<u>\$ 2,689,457</u>
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NET INCREASE (DECREASE*) IN WORKING CAPITAL FOR YEAR.....	\$ 1,371,818	\$ 79,739*
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WORKING CAPITAL AT BEGINNING OF YEAR.....	12,279,152	12,358,891
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WORKING CAPITAL AT END OF YEAR.....	<u>\$13,650,970</u>	<u>\$12,279,152</u>
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1969

NOTE A—INVENTORIES AND EQUIPMENT LEASED TO CUSTOMERS

Inventory amounts are based upon physical determinations during the year and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method, and market prices represent the lower of replacement cost or estimated net realizable amount.

A summary of inventories follows

New trailers
Production parts, work in process
and raw materials
Service parts and orders in process.
Used trailers

Lease rental payments are recognized as income in the period in which they are earned, and the costs of the equipment are depreciated over their useful lives on a straight-line basis.

December 31
1969

December 31
1968

\$ 1,504,753

\$ 885,048

2,150,742

2,284,361

1,814,412

1,534,583

648,418

401,336

\$ 6,118,325

\$ 5,105,328

NOTE B—LONG-TERM LEASES

The company is lessee under long-term leases for the sales and service branches. The annual rental on such properties will approximate \$170,000 in 1970, exclusive of taxes, insurance, maintenance and repairs, which are also payable by the company. The company has the right to purchase three of these properties and if these rights were exercised, the aggregate purchase price would amount to approximately \$893,000.

NOTE C—PENSIONS

Unfunded past service costs of pension plans covering certain employees amounting to approximately \$237,000 at December 31, 1969, are being amortized over thirty-year periods. The amount charged to operations in 1969 for such plans was \$125,579.

NOTE D—CASH DIVIDENDS PAID

A dividend of \$0.75 per share was paid during the year on 79,925 shares, which excludes the 822,000 shares owned by Fruehauf Corporation which waived its right to the dividend otherwise payable.

AUDITORS' REPORT

The Shareholders,
Fruehauf Trailer Company of Canada Limited.

We have examined the balance sheet of Fruehauf Trailer Company of Canada Limited as at December 31, 1969 and the statements of net earnings, earnings retained for use in the business and working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the changes in its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 9, 1970.

Touche Ross & Co.

Chartered Accountants.

STATISTICAL SUMMARY ON OPERATIONS

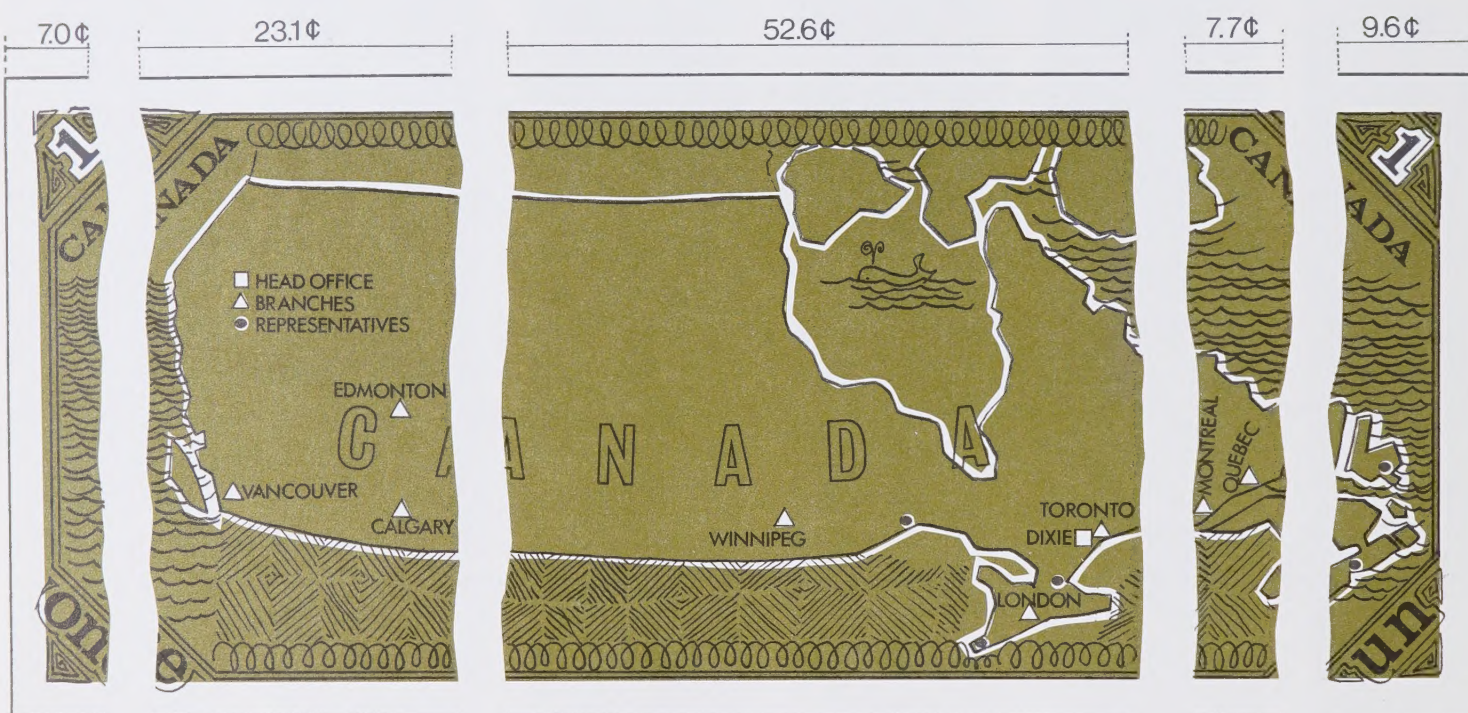
	1969	1968
INCOME DATA		
Sales	\$28,967,895	21,367,992
Finance Revenue	1,457,509	1,105,839
Cost of Products and Service Sold	21,734,756	16,652,542
Per cent to Sales	75.0	77.9
Selling and Administrative Expenses	\$ 2,072,844	1,764,335
Per cent to Sales	7.2	8.2
Depreciation—Equipment Leased to Customers	\$ 977,428	759,930
—Plant and Equipment	332,633	343,490
Earnings before Taxes on Income	4,485,393	2,280,782
Per cent to Sales	15.5	10.7
Net Earnings	\$ 2,129,393	1,081,782
Per cent to Sales	7.4	5.1
Per Share Outstanding	\$ 2.36	1.20
CAPITAL INVESTMENT		
Equipment Leased to Customers—less disposals	\$ 1,470,227	1,408,105
Plant and Equipment—less disposals	287,297	447,408
FINANCIAL POSITION YEAR-END		
Total Assets	\$32,168,250	26,926,953
Working Capital	13,650,970	12,279,152
Current Ratio	2.2 to 1	2.5 to 1
Installment Contracts Receivable	\$14,102,500	11,967,900
Equipment Leased to Customers—Net	2,989,117	2,496,318
Property, Plant and Equipment—Net	4,034,112	4,079,448
Shareholders Equity	16,976,786	14,907,337
Book Value per Share	18.82	16.53
EMPLOYMENT		
Number of Employees at Year-end	826	792
SHAREHOLDERS		
Number of Shareholders	349	371
Dividend per Share	\$.75	.75

1967	1966	1965	1964	1963	1962
22,952,426	22,911,688	19,348,156	14,867,023	12,627,354	10,787,579
919,850	775,477	632,095	654,197	813,864	795,921
17,354,237	17,088,892	15,050,404	11,951,467	10,101,333	8,748,598
75.6	74.6	77.8	80.4	80.4	81.1
1,729,576	1,697,042	1,470,490	1,257,888	1,021,817	965,621
7.5	7.4	7.6	8.5	8.1	8.9
564,313	457,234	295,384	158,510	144,776	87,740
305,781	286,138	277,729	261,493	249,104	264,147
3,348,376	3,595,031	2,467,028	1,571,488	1,524,646	1,141,296
14.6	15.7	12.8	10.6	12.1	10.6
1,570,376	1,670,031	1,182,028	804,488	1,492,646	1,126,314
6.8	7.3	6.1	5.4	11.8	10.4
1.74	1.85	1.31	.89	1.66	1.25
724,784	988,922	866,050	241,382	201,871	249,793
785,351	407,528	426,057	49,642	44,069	5,418
23,619,559	24,192,856	19,511,355	17,754,007	17,524,597	19,195,305
12,358,891	12,487,399	11,551,133	11,558,429	11,921,605	10,476,166
3.4 to 1	3.0 to 1	4.6 to 1	6.3 to 1	9.4 to 1	3.3 to 1
10,001,350	9,007,303	7,045,080	5,449,427	6,237,809	6,633,085
1,848,143	1,687,672	1,155,984	585,318	502,446	445,351
3,975,530	3,495,960	3,374,570	3,226,242	3,438,093	3,643,128
13,885,499	12,375,067	10,719,973	9,576,945	8,772,457	7,279,811
15.39	13.72	11.91	10.64	9.75	8.09
846	853	781	589	421	554
391	347	357	355	390	370
.75	.50	.50	—	—	—

REVENUE* DOLLAR DISTRIBUTION

7.0¢	Shareholders	Net earnings after taxes available for dividends and reinvestment for future growth
23.1¢	Employees	For wages, salaries and benefits
52.6¢	Materials	For raw materials, component parts, accessories and trade-in units for resale
7.7¢	Government	For federal and provincial taxes on income
9.6¢	Expenses	For operating and general expenses including depreciation and interest expense

*Revenues include sales of \$28,967,895 plus finance and miscellaneous revenue earned of \$1,577,547 for total Revenues of \$30,545,442.



COAST TO COAST FACILITIES

□ HEAD OFFICE 2450 Stanfield Road, Dixie, Mississauga, Ontario

▲ SALES AND SERVICE BRANCHES

VANCOUVER, B.C.

CALGARY, ALTA.

EDMONTON, ALTA.

WINNIPEG, MAN.

LONDON, ONT.

TORONTO, ONT.

MONTREAL, QUE.

QUEBEC CITY, QUE.

● REPRESENTATIVES AND DISTRIBUTORS

THUNDER BAY, ONT.

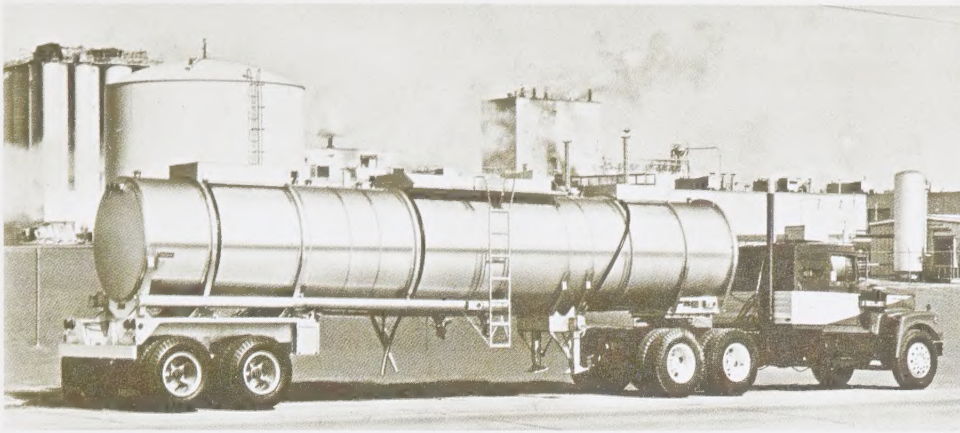
WINDSOR, ONT.

HAMILTON, ONT.

HALIFAX, N.S.

ST. JOHN, NFLD.

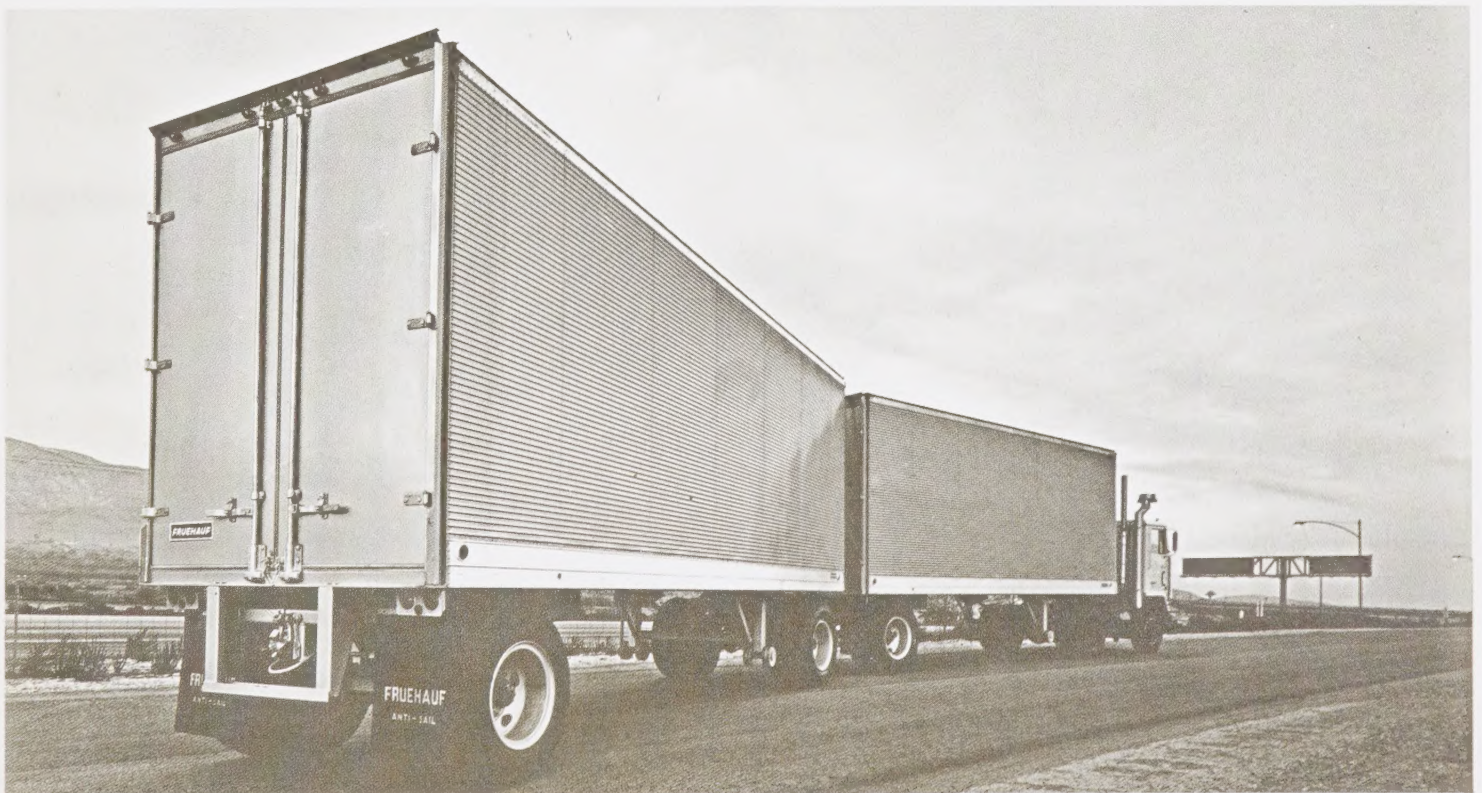
Dealers Representing Fruehauf Are Located Throughout The Province.



Stainless Steel Tank trailers — with multiple compartments are designed for the economical transport of a wide variety of chemical products.



Aluminum Dump trailers — this fully welded body presents the sturdiest unit in today's market. Light weight aluminum ensures maximum payload.



Fruehauf "F" Van "Doubles" — The trend to "train operation" provides increased efficiency to trim transportation costs.



TOTAL TRANSPORTATION

FRUEHAUF TRAILER COMPANY OF CANADA LIMITED
2450 STANFIELD ROAD, DIXIE, MISSISSAUGA, ONTARIO